

5 Finance

5.1 Total capital expenditure: water and sewerage (\$000s)—F16

Total capital expenditure on water supply and sewerage (F16) provides a measure of the total level of capital investment by each utility and the size of the utility and its capital responsibilities.

Capital expenditure programs often affect operational expenditure, and are influenced by several factors, including:

- the age of a utility's infrastructure;
- the stage of each asset's lifecycle; and
- the time and duration of a project.

Capital expenditure data are indexed using the consumer price index (CPI) to facilitate comparison in real terms. Total capital expenditure for water supply and sewerage data for all utilities reporting in 2017–18 are presented in Table A5, Appendix A.

5.1.1 Key findings

A summary of the data for total capital expenditure for water and sewerage, by utility size group, is presented in Table 5.1. In real terms, total capital expenditure increased by 13 per cent (\$469 million) from 2016–17 to 2017–18. The majority of this (\$350 million) was associated with capital expenditure in the Major size group. The other size groups all featured increases and similar total expenditure increases in the range \$21–61 million.

A summary of the data for total capital expenditure for water and sewerage, by utility group, is shown in Table 5.1.

Table 5.1 Overview of results: Total capital expenditure: water and sewerage (\$ million).

| Utility group | Range | | No. utilities with increase/decrease from 2016–17 | | Total | | Change from 2016–17 (%) |
|--------------------------------------|-----------------------|-------------------------|---|----------|---------|---------|-------------------------|
| | High | Low | Increase | Decrease | 2016–17 | 2017–18 | |
| Major | 786 | 25 | 10 | 5 | 2,729 | 3,079 | 13 |
| | Sydney Water | Central Coast | | | | | |
| Large | 79 | 17 | 4 | 5 | 316 | 353 | 12 |
| | Townsville | Central Highlands Water | | | | | |
| Medium | 126 | 1.2 | 12 | 10 | 389 | 410 | 5 |
| | Shoalhaven | Dubbo | | | | | |
| Small | 30 | 0 | 12 | 10 | 190 | 251 | 32 |
| | South Gippsland Water | Orange | | | | | |
| All utility groups (national) | 786 | 0 | 38 | 30 | 3,625 | 4,094 | 13 |
| | Sydney Water | Orange | | | | | |

Table note

Total capital expenditure for water and sewerage services is calculated using data from all utilities reporting against F14 and F15 in both 2016–17 and 2017–18.

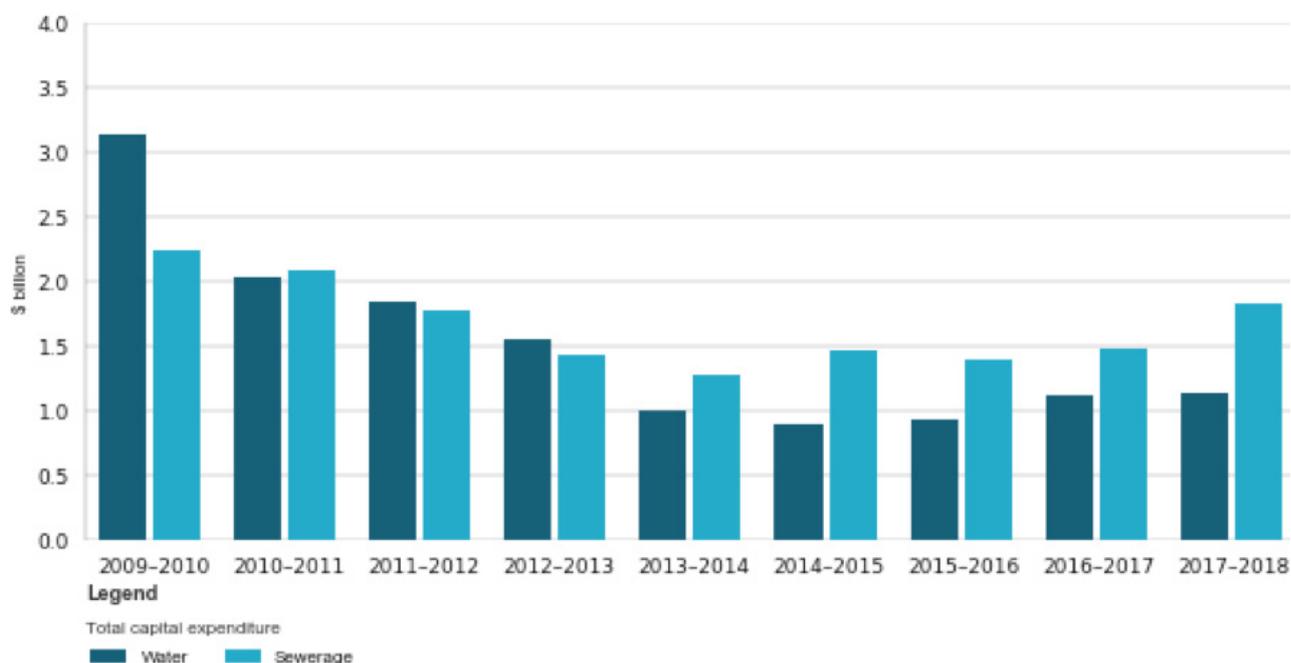


Figure 5.1 Total capital expenditure: water supply and sewerage (\$ billion).^a

^a Total is for utilities that reported all ten years and excludes bulk water utilities.

5.1.2 Results and analysis—Major utility group

With the exception of Icon Water Limited, South East Water, Gold Coast City Council, Central Coast Council and Barwon Water, all other utilities in the Major utility size group reported increases in capital expenditure across their water and sewerage operations. Icon Water Limited, South East Water and Gold Coast City Council all reported moderate decreases, at 6 per cent, 11 per cent and 17 per cent, respectively. Central Coast Council and Barwon Water reported the highest percentage decreases in its total capital expenditure, at 59 per cent and 22 per cent, respectively.

Tasmanian Water and Sewerage Corporation reported the largest increase in its total capital expenditure (45.9 per cent). These expenses are part of a program Tasmanian Water and Sewerage Corporation is implementing to achieve business and regulatory objectives.⁶

SA Water and Logan City Council both reported a 35 per cent increase in their total capital expenditure. This was probably due to an increase in the capital expenditure on the sewerage networks for both utilities.

5.2 Capital expenditure (\$/property): water (F28) and sewerage (F29)

Capital expenditure on water supply (F28) and sewerage (F29), on a per connected property basis, provides a measure of capital investment by each utility relative to its customer base. The normalisation on a per connected property basis facilitates a comparison between utilities.

Capital expenditure data are indexed using the consumer price index (CPI) to facilitate comparison in real terms.

Capital expenditure data per connected property, for water and sewerage services, provided by all utilities reporting in 2017–18 are presented in Tables A6 and A7, Appendix A.

⁶ TasWater annual report 2017-18 page 4

5.2.1 Key findings

Tables 5.2 and 5.3 summarise the median capital expenditure of utilities providing water and sewerage services, respectively.

Table 5.2 Overview of results: Capital expenditure: water (\$/property).

| Utility group | Range | | No. utilities with increase/decrease from 2016–17 | | Median | | Change from 2016–17 (%) |
|--------------------------------------|-----------------------|-------------------------|---|----------|---------|---------|-------------------------|
| | High | Low | Increase | Decrease | 2016–17 | 2017–18 | |
| Major | 481 | 17 | 8 | 7 | 142 | 151 | 6 |
| | TasWater | Central Coast | | | | | |
| Large | 391 | 162 | 5 | 4 | 238 | 269 | 13 |
| | Townsville | Central Highlands Water | | | | | |
| Medium | 777 | 16 | 11 | 11 | 134 | 208 | 55 |
| | Gladstone | Redland City | | | | | |
| Small | 1,362 | 0 | 15 | 7 | 253 | 293 | 16 |
| | South Gippsland Water | Orange | | | | | |
| All utility groups (national) | 1,362 | 0 | 39 | 29 | 203 | 228 | 12 |
| | South Gippsland Water | Orange | | | | | |

Table note

Median capital expenditure: water (\$/property) is calculated using data from all utilities that reported against F28 in both 2016–17 and 2017–18.

Table 5.3 Overview of results: Capital expenditure: sewerage (\$/property).

| Utility group | Range | | No. utilities with increase/decrease from 2016–17 | | Median | | Change from 2016–17 (%) |
|--------------------------------------|--------------------|-------------------------|---|----------|---------|---------|-------------------------|
| | High | Low | Increase | Decrease | 2016–17 | 2017–18 | |
| Major | 511 | 101 | 9 | 6 | 216 | 216 | 0 |
| | Logan City Council | City West Water | | | | | |
| Large | 877 | 103 | 4 | 5 | 264 | 213 | -19 |
| | Western Water | Central Highlands Water | | | | | |
| Medium | 2,437 | 20 | 10 | 12 | 200 | 161 | -19 |
| | Shoalhaven | Dubbo | | | | | |
| Small | 1,716 | 0 | 9 | 13 | 298 | 214 | -28 |
| | Goulburn Mulwaree | Orange | | | | | |
| All utility groups (national) | 2,437 | 0 | 32 | 36 | 233 | 213 | -9 |
| | Shoalhaven | Orange | | | | | |

Table note

Median capital expenditure: sewerage (\$/property) is calculated using data from all utilities that reported against F29 in both 2016–17 and 2017–18.

In 2017–18, the national median per property capital expenditure on water services increased by 12 per cent (Table 5.2). This result reflects the increases reported by 39 utilities in the reporting year.

In 2017–18, the national median per property capital expenditure on sewerage services decreased by 9 per cent, (Table 5.3). The Large, Medium and Small size groups all reported a moderate to significant decrease in capital expenditure of 19 per cent, 19 per cent and 28 per cent, respectively.

5.2.2 Results and analysis—Major utility group

A ranked breakdown of capital expenditure on a per connected property basis is shown in Figure 5.2.

The figure highlights the water (F28) and sewerage (F29) components of the total expenditure and reinforces the year-to-year variation.

Tasmanian Water and Sewerage Corporation and Logan City Council reported significant increases in capital expenditure on both water and sewerage services from 2016–17 to 2017–18 compared with other utilities. Capital expenditure on sewerage services increased by 40 per cent and 37 per cent, respectively, and capital expenditure on water supply increased by 46 per cent and 23 per cent, respectively.

Hunter Water Corporation reported the highest increase in capital expenditure on water supply (53 per cent).

City West Water reported the largest comparative increase in capital expenditure for sewerage services, as compared to 2016–17 (58 per cent), but a 2 per cent decrease in capital expenditure on water supply.

5.3 Combined operating cost: water supply and sewerage (\$/property)—F13

Combined operating costs for water supply and sewerage on a per property basis (F13) provides a measure of a utility's operation, maintenance, and administration costs in relation to the number of properties serviced. Operating costs are influenced by:

- utility size;
- government policy;
- climate and rainfall;
- distance and method by which water is transported (for example, piped);
- sources of water (for example, purchased from a bulk utility, or sourced from dams or alternative sources such as desalination plants);
- input costs (for example, fuel, chemicals, and labour);
- level of water and sewage treatment required; and
- capital procurement strategies (for example, public–private partnerships or build–own–operate–transfer [BOOT] schemes).

Operating costs are increasing, particularly for larger utilities; however, operating costs per property can fall as the size of the utility increases, due to economies of scale.

Operating cost data are indexed using the consumer price index (CPI) to facilitate comparison in real terms.

Combined operating cost (water supply and sewerage) data for all the utilities reporting in 2017–18 are presented in Table A8, Appendix A.

5.3.1 Key findings

Figure 5.3 is a box-and-whisker plot of combined operating cost (water supply and sewerage) data for all utilities reporting F13 for a given reporting year from 2007–08 to 2017–18. A summary of the median combined operating costs on a per property basis is shown in Table 5.4.

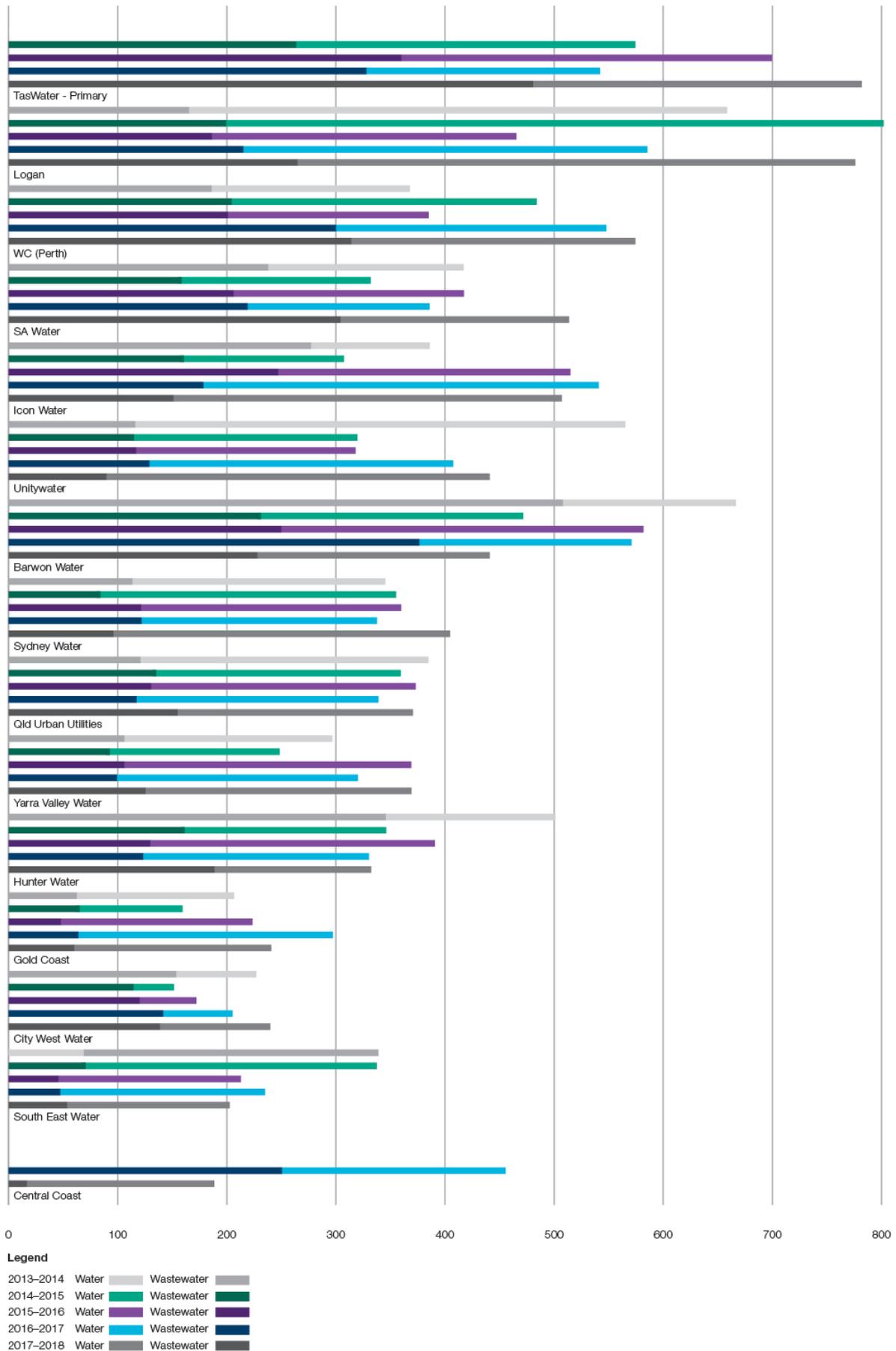


Figure 5.2 Capital expenditure: water supply and sewerage (wastewater) (\$/property)—Major utility group.

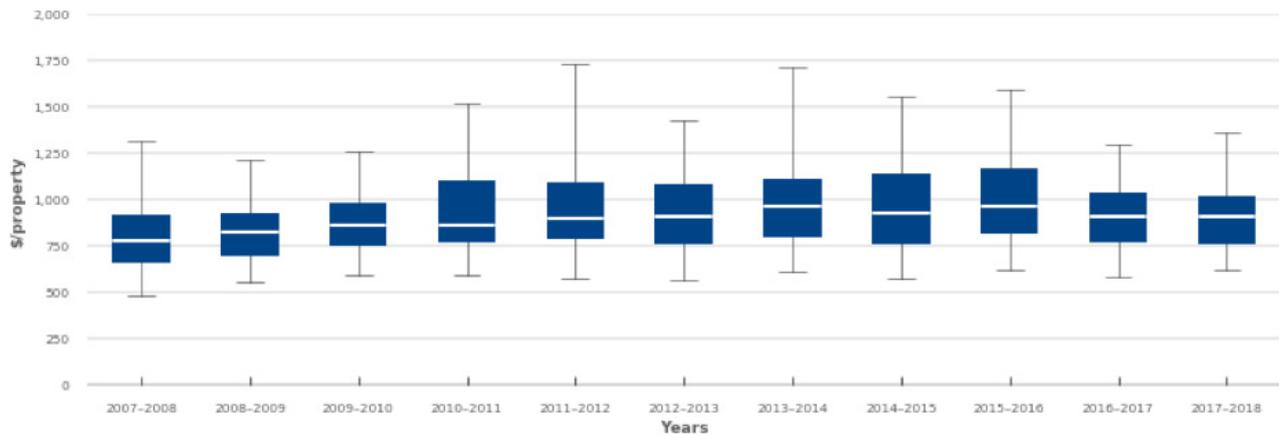


Figure 5.3 Combined operating cost: water and sewerage (\$/property).

The national 2017–18 median operating cost (on a per property basis for utilities delivering both water and sewerage services) was \$921; very close to the 2016–17 cost (Table 5.4).

The Major and Large size groups reported decreases, whereas the Medium and Small groups reported increases in their median costs. Nationally, 35 utilities across all size groups reported increases in their operating expenditure per property, while 33 utilities reported decreases.

Table 5.4 Overview of results: Combined operating cost: water and sewerage (\$/property).

| Utility group | Range | | No. utilities with increase/decrease from 2016–17 | | Median | | Change from 2016–17 (%) |
|--------------------------------------|-----------------|---------------|---|----------|---------|---------|-------------------------|
| | High | Low | Increase | Decrease | 2016–17 | 2017–18 | |
| Major | 1,176 | 600 | 5 | 9 | 880 | 858 | -3 |
| | Gold Coast | WC (Perth) | | | | | |
| Large | 1,218 | 690 | 5 | 4 | 887 | 886 | 0 |
| | Gippsland Water | Cairns | | | | | |
| Medium | 1,540 | 623 | 13 | 9 | 925 | 952 | 3 |
| | Gladstone | WC (Mandurah) | | | | | |
| Small | 1,500 | 338 | 12 | 11 | 981 | 1,000 | 2 |
| | Byron | Gympie | | | | | |
| All utility groups (national) | 1,540 | 338 | 35 | 34 | 913 | 920 | 0.8 |
| | Gladstone | Gympie | | | | | |

Table note

The combined operating cost: water and sewerage (\$/property) is calculated using F11, F12, and F13 data from utilities that reported in both 2016–17 and 2017–18. Table 5.4 is based on F13 (Combined operating cost: water and sewerage) for the reporting utilities that provide both reticulated water supply and sewerage services. This is not always a straight addition of F11 and F12 and depends on the relative numbers of connected water properties and connected sewerage properties. For this reason, some figures presented in the charts and tables may differ from those based on a summation of F11 and F12.

5.3.2 Results and analysis—Major utility group

A ranked breakdown of operating expenditure for water supply and sewerage services on a connected property basis is presented in Figure 5.4. The figure highlights the component of operating expenditure for water (F11) and sewerage (F12) expenditure for each utility in the Major size group from 2013–14 to 2017–18.

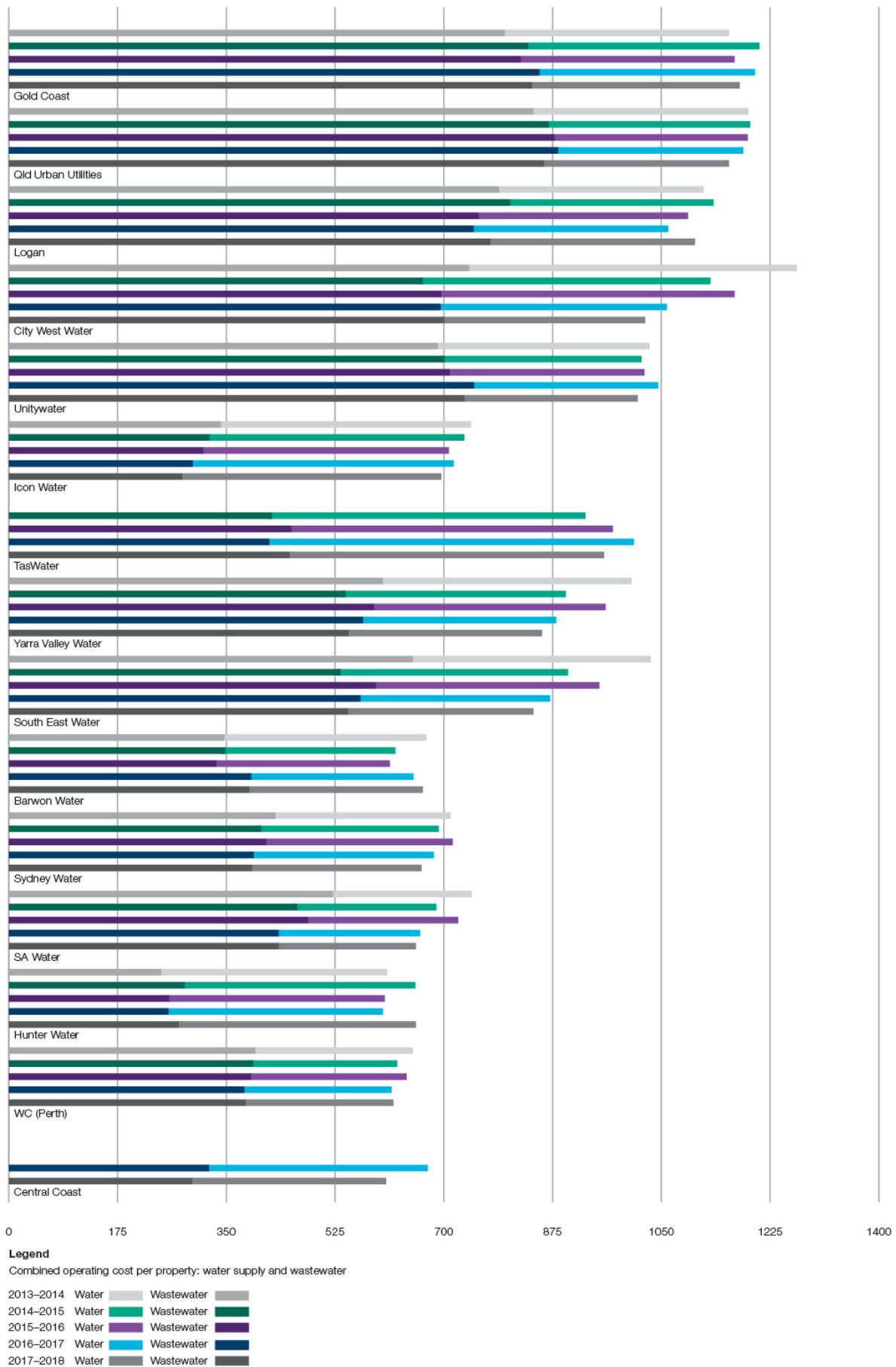


Figure 5.4 Combined operating cost: water and sewerage (wastewater) (\$/property)—Major utility group.

5.4 Revenue from community service obligations (%)—F8

Revenue from community service obligations (CSOs) as a percentage of a utility's total income (F8) is a measure of the extent to which activities undertaken by a utility are subsidised.

Payments for CSOs (F25) to a utility by a State or Territory government are made when a utility is directed to undertake activities that they would not perform on a solely commercial basis. CSOs in the water sector may be provided to:

- allow reductions on bills to certain disadvantaged customer groups (for example, pensioners);
- allow utilities to charge common tariffs across all geographical regions despite cost differences;
- ensure the delivery of government policy (for example, by administering rebates); and
- allow utilities to provide services to high-cost areas where full cost recovery would otherwise result in unaffordable bills.

CSO data for all utilities reporting in 2017–18 are presented in Table A9, Appendix A.

5.4.1 Key findings

A summary of the data for revenue from CSOs, by utility size group, is presented in Table 5.5.

In 2017–18, 12 utilities reported increases and 34 utilities reported decreases, and 12 utilities reported no change in the revenue received from CSOs. This resulted in a 15 per cent decrease in the national median between 2016–17 and 2017–18.

Table 5.5 Overview of results: Revenue from community service obligations (%).

| Utility group | Range | | No. utilities with increase/decrease from 2016–17 | | Median | | Change from 2016–17 (%) |
|--------------------------------------|--------------------|--------------------|---|----------|---------|---------|-------------------------|
| | High | Low | Increase | Decrease | 2016–17 | 2017–18 | |
| Major | 10.6 | 0.0 | 2 | 7 | 3.3 | 3.4 | 3 |
| | SA Water | Multiple utilities | | | | | |
| Large | 5.5 | 0.0 | 3 | 4 | 4.2 | 3.5 | -17 |
| | Multiple utilities | Toowoomba | | | | | |
| Medium | 6.5 | -40.8 | 3 | 12 | 1.1 | 0.9 | -9 |
| | GWMWater | WC (Mandurah) | | | | | |
| Small | 59.2 | -131.7 | 4 | 11 | 0.8 | 0.8 | 0 |
| | Western Downs | WC (Geraldton) | | | | | |
| All utility groups (national) | 59.2 | -131.7 | 12 | 34 | 1.3 | 1.1 | -15 |
| | Western Downs | WC (Geraldton) | | | | | |

Table note

Median percentage of revenue from CSOs is calculated for all utilities reporting data in both 2016–17 and 2017–18.

5.4.2 Results and analysis—Major utility group

Despite the majority of the Major size group utilities reporting a decrease in CSO payments, the median remained steady.

SA Water and Water Corporation—Perth continued to have the highest proportions of revenue from CSOs with 10.6 per cent and 6.2 per cent respectively. For these utilities, CSO payments are used to subsidise non-profitable water services, to provide water services in country areas at metropolitan water prices.

The median percentage revenue from CSOs increased by 3 per cent; however, seven utilities reported a decrease in CSOs as a percentage of revenue from 2016–17 to 2017–18. Icon Water Limited reported the highest decrease, with its CSO revenue decreasing from 3.3 per cent in 2016–17 to 2.0 per cent in 2017–18.